

Ukraine Plans More Talks, Less Purchases

By [The Moscow Times](#)

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Ukrainian poet Taras Shevchenko glaring at a Gazprom sign over Moscow's Krasnopresnenskaya Naberezhnaya. **Vladimir Filonov**

Ukraine intends to gradually reduce the volume of gas bought from Russia starting from 2013, Ukrainian Energy and Coal Industry Minister Yury Boiko said.

"We have told our Russian partners that we cannot buy [a lot of gas at the current price] and have to switch to alternative energy resources. If the gas price goes down, we will buy more of it, and if not, we will be reducing its consumption from year to year. This year [Ukraine will buy] 27 billion cubic meters, and we plan to further reduce the volume next year," Boiko said on a TV talk show hosted by journalist Yevgeny Kiselyov late on Friday, Interfax reported.

Gas talks with Russia were scheduled to resume this week in Moscow, with a visit by Boiko scheduled to begin on Monday.

Meanwhile, gas prices are affecting the former Soviet republic's negotiations with the International Monetary Fund, or IMF, Bloomberg reported. Ukraine wants to revive its \$15.6 billion bailout from the IMF and will propose alternatives to the fund's demand to raise household natural gas tariffs during talks this week.

While the former Soviet republic can survive without the resumption of IMF disbursements, the government is seeking to repay cash it borrowed from the Washington-based fund in 2008 and 2009, according to Prime Minister Mykola Azarov.

"We'll bring a package of documents to the IMF — we'll show them our offers of how to solve" the domestic gas price issue, Azarov told reporters at the end of last week in the capital, Kiev. Ukraine "will do its best to renew the program."

Ukraine agreed on its second IMF loan in two years in 2010, receiving \$3.4 billion in two payments before the program was frozen in 2011. To unlock the next tranche, the IMF wants the government to increase household gas prices by 35 percent to stem losses at state energy company Naftogaz Ukrainy. Ukraine, which must repay about \$3.8 billion to the IMF in 2012, is seeking a discount on gas supplies from Russia instead.

Ukraine's government bonds due 2016 rose, pushing the yield down to 10.194 percent, the lowest level since Jan. 4, data compiled by Bloomberg show.

Newly appointed Finance Minister Valery Khoroshkovsky will head a Ukrainian delegation to Washington this week for talks to kick-start the IMF bailout, the government said.

Still, Ukraine won't bow to the fund's demand to increase household tariffs for the fuel, Raisa Bogatryyova, secretary of the Security and Defense Council, told reporters today in Kiev after President Viktor Yanukovich unexpectedly convened the body.

Ukraine wants to reduce the price it pays Russia for gas by a third to \$250 per 1,000 cubic meters, Yanukovich said Dec. 21. Under its current contract, the price will rise to \$416 per 1,000 cubic meters this quarter from \$400 in the previous three months, Energy and Coal Minister Yuriy Boiko said Jan. 13.

Russia has asked for control of Ukraine's gas transit pipeline to Europe in return for cheaper supplies of the fuel to its neighbor. Ukraine has refused, according to Boiko.

"Unfavorable contracts with Russia threaten our economy, put pressure on the hryvna and widen our state budget deficit," Bogatryyova said.

Cooperation between Ukraine and the IMF may resume soon and is necessary as quickly as possible to provide a cushion against negative trends in the global economy, Ruslan Piontkovsky, an economist at the World Bank, said in Kiev.

The sooner the loan is restarted, the more investors will trust Ukraine's ability to finance its balance of payments and service state debt, he added.

Waning demand for exports and the availability of external funds to finance debt may put pressure on Ukraine in 2012, said Andrew Burns, head of the World Bank's global macroeconomic trends team.

(MT, Bloomberg)

Gazprom signed an agreement to double purchases of the fuel from Azerbaijan this year to 3 bcm, Bloomberg reported.

Purchases will exceed 3 bcm next year under the addendum to a 2009 contact, the Moscow-based gas producer said Monday in an e-mailed statement.

Gazprom chief executive Alexei Miller and Rovnag Abdullayev, his counterpart at the State Oil Company of Azerbaijan, also known as Socar, reached the agreement in December.

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